

IN THE MATTER OF INTEREST ARBITRATION

BETWEEN)
)
DES MOINES WATER WORKS,)
) Hugh J. Perry, Arbitrator
PUBLIC EMPLOYER,)
AND)
) Award issued: December 24, 2010
AFSCME COUNCIL 61, LOCAL #3861,)
)
EMPLOYEE ORGANIZATION.)

APPEARANCES: For Des Moines Water Works - Ron Smith
For AFSCME Local #3861 - Greg Lewis

BACKGROUND

AFSCME Local #3861 (Union) represents a bargaining unit of some 150 clerical and blue collar employees of the Des Moines Water Works. There are 215 total employees. The Des Moines Water Works (DMWW) is an independently owned and operated public utility which supplies drinking water to some 500,00 people in the Des Moines Area. Its customers include residential, commercial and industrial users. The largest customers are wholesale customers who purchase water from DMWW and then resell it to residents in their own communities. Of these, the largest customer is the Central Iowa Regional Drinking Water Commission (CIRDWC), a group of public water suppliers throughout central Iowa. DMWW is governed by a 5 member Board appointed by the Mayor of Des Moines. DMWW does not have taxing authority but generates revenue by the sale of water based upon rates set by its Board. For the year 2011, residential water rates will increase by 12.4%. In addition to providing drinking water, the DMWW operates two large public parks, a reservoir and preserve and the Des Moines Botanical Center.

These parties have negotiated since 2010 and have had to resort to arbitration only once before to settle their contractual differences. They have a history of multi-year contracts. The current contract runs from January 1, 2008 to December 31, 2010. Unlike most other Iowa public employers, the DMWW runs on a calendar year budget. The parties' next contract will take effect January 1, 2011. They have agreed to a 3 year agreement January 1, 2011 to December 31, 2013. For the first year they have agreed to all items except **WAGES** (across the board increase for the period January 1, 2011 to December 31, 2011), the subject of this arbitration. The following two years they will reopen WAGES and INSURANCE only, all other contract provisions continuing for the 3 year period.

Finding a comparable employers and employees with which to compare the wages of employees in this bargaining unit is somewhat of a challenge insofar as no other Iowa water utility

has an operation of this magnitude and many do not share similar job classifications. The parties themselves advance different comparability groups. DMWW uses Ankeny, Cedar Falls, Coralville, Council Bluffs, Marshalltown, Muscatine, Sioux City, Waterloo and West Des Moines. The Union advances data from the Iowa cities of Muscatine, Dubuque, Fort Madison, Council Bluffs, Cedar Falls, Independence and Marion to make comparisons.

A hearing was held at the DMWW's administration building on December 10, 2010. Following the hearing, the undersigned received an e-mail from the DMWW representative clarifying a couple of matters from the hearing (The effective dates of a recently negotiated State wage increase, 2% on July 1, 2011 and an additional 1% on January 1, 2012 and whether or not the City of Ankeny's wage increase was a one or two time across the board increase.) The Union representative objected to such communication. I feel that the timing of the State wage increase was resolved at hearing and can state that this e-mail communication regarding Ankeny has had no substantive effect on this award.

In rendering this award, I have considered the criteria contained in Section 20.22(9) of the Iowa Public Employment relations Act. After considering this criteria in light of the facts of this dispute, I have selected the wage proposal before me which I deem the most reasonable.

IMPASSE ISSUE: WAGES

PROPOSALS OF THE PARTIES

AFSCME Local 3861 proposes an across the board Wage increase of 3%.

DMWW proposes an across the board Wage increase of 2.5%

ARGUMENTS OF THE PARTIES

The **Union** contends that there is a history of 3% wage increases for this bargaining unit. The Employer has never indicated that it is unable to fund its wage asking. It is similar to what many other large Iowa city employers have agreed to. Cost of living increases have never been a central issue in bargaining between these parties and shouldn't be one now. These employees are not seeking to catch up, only to maintain their relative wage position. The Union points out that a major economic item for DMWW, chemicals, came in at a significantly lower cost than projected. The Union proposal of 3% is reasonable and should be awarded

DMWW argues that its wage proposal of 2.5% is closer to average settlements this bargaining year than the Union's 3%. It submitted cost of living data indicating an increase in 2011 of 1.2% well under its 2.4% proposal. DMWW notes that its proposal is more in line with its historical relation to the CPI. DMWW notes that its 2.5% adjustment will generate an average wage increase of 2.9% and when figuring the increased cost of other benefits including an increased 6.7% contribution to health insurance and a 42.7% increase in its required contribution to the employee pension plan, a total package increase of 3.6% (\$363,349). DMWW does not dispute that it is able to pay the Union asking. It argues that it shouldn't be required to. These employees are paid well in relation to their public counterparts. A 2.5% adjustment will maintain their relative position. While labor costs are

but 20% of the overall budget, additional labor costs not supported by data will only increase public pressure on water rates, contrary to the interests and welfare of DMWW's customers. Operating expenses for 2011 are projected to be \$32.9 million, 4.7% higher than 2010. DMWW costs its wage proposal as a \$262,607 increase compared to the Union's wage asking, \$306,563, or a difference of \$43,956.

DISCUSSION

The parties have agreed to all contract provisions for the 2011 contract year with the exception of an across the board wage adjustment. The current wage schedule (2010) is as follows:

Salary Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
1	12.75	13.21	13.69	14.18	14.67	15.19
2	14.13	14.65	15.18	15.72	16.27	16.84
3	15.74	16.31	16.90	17.50	18.12	18.75
4	17.49	18.13	18.79	19.46	20.14	20.84
5	19.35	20.06	20.78	21.52	22.28	23.06
6	21.57	22.35	23.16	23.98	24.82	25.69
7	23.97	24.84	25.74	26.66	27.59	28.55
8	26.71	27.68	28.68	29.71	30.75	31.82

Note: Ranges are 19.1% wide with 3.5% steps

A new employee is placed on the schedule commensurate with the employee's qualifications. A current employee can be promoted to a higher grade. Employees advance a step each January 1st providing they have completed 6 months of employment. Neither party proposes structural changes in the schedule. The dispute is the across the board adjustment to be made in the wages for 2011. Traditionally, the parties have agreed to a percentage increase and then applied it to a midpoint on the schedule between steps 3 and 4. The rest of the schedule is then filled in to maintain 3.5% increments between steps. The 2010 schedule is the result of an across the board 3.75% wage adjustment. The across the board wage increase for 2009 was 3.75%. The 2008 across the board wage increase was 3.5%. Average wage increases when steps are included were 5.6% for 2010, 5% for 2009 and 4.77% for 2008.

Based on the data presented by the parties, I reach the following conclusions. Employees of the DMWW are paid favorably when compared to their counterparts in other Iowa cities, in most cases well above the average wages. Settlements in these other communities for water employees this bargaining year average 2.3%-2.6%. Wage increases for employees with multi-year contracts tend to be somewhat higher. Across the board increases for employees in this bargaining unit have

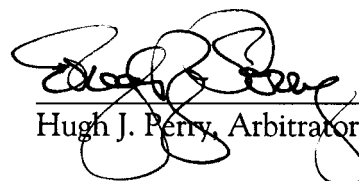
averaged just over 3% for their bargaining history. The Consumer price index for 2011 is projected to be 1.2%. For 2010 it was -.4% and for 2009, 3.8%. Customers of DMCC , specifically CIRDWC, its largest wholesale customer, have expressed serious concern about dramatically escalating water rates, 15% for 2009, 11% for 2010 and 12.4% for 2011.

I am persuaded that the proposal of DMWW is closer to the average wage settlements this bargaining year than that of the Union. While cost of living is not specifically spelled out in the criteria set forth in the PERA for arbitrators to consider, it is often included in the catch phrase *other relevant factors*. When the cost of living increase is high, employees argue that they need greater wage increases to keep up. The converse should also hold true. These employees are paid favorably, no doubt for ably performing difficult and demanding work. However, the DMWW has been required to make double digit rate adjustments in recent years to cover its expenses, including wages and benefits for these employees. Wage adjustments in the Iowa public sector this bargaining year are at historic lows as public employers struggle with increasing expenses and decreasing revenues. A 2.5% wage adjustment here results in an overall wage increase of 2.9%. The total package increase for this unit will amount to \$363,349 or 3.6%. Such an increase will maintain these employees' relative standing as among the higher paid water employees in Iowa. The Wage proposal of DMWW is considered the most reasonable wage proposal before me. It is awarded.

AWARD

WAGES: The proposal of DMWW is awarded, a 2.5% across the board wage increase effective January 1, 2011.

Signed this 24th day of December, 2010.



Hugh J. Perry, Arbitrator

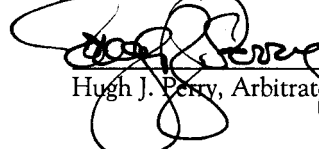
CERTIFICATE OF SERVICE

I certify that on the 24th day of December, 2010, I served the foregoing Award of Arbitrator upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Ron Smith
2201 George Flagg Parkway
Des Moines, IA 50321

Greg Lewis
4320 N.W. 2nd Avenue
Des Moines, IA 50313

I further certify that on the 24th day of December, 2010, I will submit this award for filing by mailing it to the Iowa Public Employment Relations Board, 510 East 12th Street, Suite 1B, Des Moines, Iowa 50319.



Hugh J. Perry, Arbitrator